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State of Idaho

Legislative Services Office

## Management Report

A communication to the Joint Finance-Appropriations Committee

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# IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY

FY 2008, 2009, AND 2010

Report IC24510  
Date Issued: April 6, 2011

*Serving Idaho's Citizen Legislature*



Don H. Berg, Manager

Idaho Legislative Services Office  
Legislative Audits Division

## IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY

### SUMMARY

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#### **PURPOSE OF MANAGEMENT REVIEW**

We conducted a management review of the Idaho Department of Environmental Quality covering the fiscal years ended June 30, 2008, 2009, and 2010. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

#### **CONCLUSION**

We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the Department.

#### **FINDINGS AND RECOMMENDATIONS**

There are no findings and recommendations in this report or the prior report.

#### **AGENCY RESPONSE**

The Department has reviewed the report and is in general agreement with its contents.

#### **FINANCIAL INFORMATION**

The following financial data is for informational purposes only.

**IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY – FISCAL YEAR 2010**

Title	Fund	Beginning Cash/ Appropriation Balance	Plus Receipts	Plus Net Transfers	Less Disbursements	Ending Cash/ Appropriation Balance
General Fund	0001	\$0	\$2,191,675	(\$2,191,675)	\$0	\$0
Commercial Reinvest. Pilot Initiative	0184	1,490,224	16,672	0	0	1,506,896
Hazardous Waste Emergency	0185	469,340	339,541	0	271	808,610
Air Quality Permitting	0186	1,382,840	1,267,125	(1,386,400)	0	1,263,565
Public Water System Supervision	0191	1,218,536	1,221,790	(1,217,600)	0	1,222,726
Water Pollution Control	0200	2,708,862	33,508	2,552,700	0	5,295,070
Environmental Remediation	0201	6,664,895	321,209	1,500,000	419,483	8,066,621
DEQ Operating	0225	283,675	38,510,860	17,932,880	56,519,571	207,844
American Reinvestment	0346	(1,592)	14,403,241	0	14,445,713	(44,064) *
Health and Welfare Trust	0489	3,366,316	2,022,739	(156,119)	0	5,232,936
Bunker Hill Consent Decree	0511	3,424,332	12,223,468	0	36,846	15,610,954
Clean Water State Revolving	0529	14,170,388	24,766,917	(319,761)	27,414,536	11,203,008
Drinking Water State Revolving	0532	8,777,158	26,210,960	0	24,727,599	10,260,519
		<u>\$43,954,974</u>	<u>\$123,529,705</u>	<u>\$16,714,025</u>	<u>\$123,564,019</u>	<u>\$60,634,685</u>

\*The American Reinvestment Fund 0346 can have a negative cash balance resulting from a "borrowing limit" of \$1 million established for cash flow purposes.

**OTHER INFORMATION**

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and the Idaho Department of Environmental Quality and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Toni Hardesty, and her staff.

**ASSIGNED STAFF**

Chris Farnsworth, CPA, Managing Auditor

J.E. Bowden, CPA, In-Charge Auditor

Eric Bjork, Staff Auditor

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## AGENCY RESPONSE

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STATE OF IDAHO  
DEPARTMENT OF  
ENVIRONMENTAL QUALITY

1410 North Hilton • Boise, Idaho 83706 • (208) 373-0502

C.L. "Butch" Otter, Governor  
Toni Hardesty, Director

March 22, 2011

Mr. Don Berg, CGFM, Manager  
Legislative Audits Division  
Legislative Services Office  
P. O. Box 83720  
Boise, Idaho 83720-0054

Re: FY 2008, 2009 and 2010 Management Report

Dear Mr. Berg:

The Department of Environmental Quality accepts the FY 2008, 2009 and 2010 Management Report. We appreciate the hard work of your audit staff.

If you or your staff have any further questions, please contact Dave Sande, CPA, Financial Officer.

Sincerely,

A handwritten signature in black ink, appearing to read "Toni Hardesty", with a stylized flourish at the end.

Toni Hardesty  
Director

cc: Dave Sande, DEQ-Fiscal Office

# APPENDIX

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## HISTORY

The Department of Environmental Quality (DEQ) was created July 1, 2000, to ensure clean air, water and land, and to protect Idaho citizens from the adverse health impacts of pollution. Prior to its creation, the Department was part of the Idaho Department of Health and Welfare.

## STATUTORY AUTHORITY

The statutory authority of the Department is found primarily in Idaho Code, Title 39.

## PURPOSE

The Department enforces various State environmental regulations and administers a number of federal protection laws, including the Clean Air Act, the Clean Water Act, and the Resource Conservation and Recovery Act. The Department's range of activities includes:

- Monitoring air and water quality
- Assessing environmental problems
- Overseeing facilities that generate air, water, and hazardous waste pollution
- Cleaning contaminated sites
- Educating and providing assistance to businesses, government agencies, and citizens

### State Board of Environmental Quality

The Board comprises seven members who serve at the pleasure of the Governor. Each member is appointed to a four-year term. The Board can hold hearings, issue subpoenas, and interrogate witnesses to ensure compliance with environmental laws and regulations.

### Department Overview

The Department has a main office in Boise, and regional offices in Coeur d'Alene, Idaho Falls, Lewiston, Pocatello and Twin Falls. The activities of the Department are separated into the following programs:

- The Air Quality Program ensures compliance with federal and State health-based air quality standards by monitoring air quality and collecting data; developing and issuing permits; and coordinating air quality improvement efforts among communities, businesses, industries, and governmental agencies.
- The Water Quality Program ensures that the State's surface, ground, and drinking water resources meet State and federal water quality standards by monitoring, assessing, and reporting on water quality.
- The Waste Management and Remediation Program ensures that waste generated in or entering Idaho is managed and disposed of in a manner protective of human health and the environment, and responds to release of hazardous waste to surface waters, ground waters, and soils.
- The Coeur d'Alene Basin Project Commission (§39-8104, Idaho Code) coordinates natural resource restoration to address heavy metal contamination caused from upstream mining operations.
- Technical Services provides scientific and engineering support to the Department's divisions and regions. This support includes, among other things, engineering reviews and construction inspections, air and water quality compliance and enforcement inspections, identifying and qualifying environmental problems, reviewing technical aspects of air permit applications, industrial facility emission tests, and radioactive and mixed waste permits.

- Administrative Services provides support services that enable the Department to carry out its day-to-day activities. Major groups include the fiscal office, human resources, and information resources.
- INL Oversight and Radiation Control oversees activities of the Idaho National Engineering and Environmental Laboratory.

## **FUNDING**

### General Fund 0001

The Department receives General Fund appropriations primarily used for matching federal grants. Expenditures of General Fund money is for administrative purposes.

### Hazardous Waste Emergency Fund 0185

Revenue in this fund comes from hazard waste penalties and cost recoveries. Expenditures are used for emergency cleanup of hazardous materials.

### Idaho Air Quality Permitting Fund 0186

Revenue in this fund comes from regulatory fees collected from pollution sources that require permitting under Title V of the Federal Clean Air Act (Idaho Code, Section 39-118D). Expenditures are to monitor and regulate air quality.

### Public Water System Supervision Fund 0191

Revenue comes from fees assessed on public drinking water systems, and is used to administer the drinking water program.

### Water Pollution Control Fund 0200

This fund receives \$4,800,000 from sales tax from the State Tax Commission and earns interest revenue. Money in this fund is used as State match for the Clean Water State Revolving Fund and Drinking Water State Revolving Fund. Money is also used for water pollution control activities.

### Environmental Remediation Fund 0201

This fund receives interest and revenue from settlements for remediation activities (Idaho Code, Section 39-3605C), as well as transfers from the Water Pollution Control Fund. The money in this fund is used for environmental cleanup, remediation and restoration, and can be used as match for superfund grants. (Idaho Code, Section 39-3606C).

### Department of Environmental Quality Operating Fund 0225

This fund is the Department's main operating fund and comprises nine fund details. The details are used to capture different types of costs, including but not limited to, federal expenditures, State expenditures, drinking water regulatory costs, and water and air quality control costs. In some instances the revenue is received in other Department funds and is transferred to and expended from this fund.

### Trust Fund 0489

This fund receives money from various settlements and consent decrees. Money is used as designated for the purposes of the trusts. Expenditures are for repairing damage caused by leaking underground storage tanks and other damage to the environment.

Bunker Hill Consent Decree Trust Fund 0511

This fund receives money from settling defendants as a result of a consent decree declaration. Money is used for blood lead screening, house dust testing, and other institutional control activities.

Clean Water State Revolving Fund 0529

The Clean Water State Revolving Fund is a federal program that provides low interest rate loans to municipalities to build or improve wastewater treatment plants. Loan repayments are received in this fund and become available for future loans.

Drinking Water State Revolving Fund 0532

The Drinking Water State Revolving Fund is a federal program that provides low interest rate loans to municipalities to build or improve drinking water treatment plants. Loan repayments are received in this fund and become available for future loans.

Department of Environmental Quality  
Organizational Structure

